

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF NEBRASKA

IN THE MATTER OF )

SHARON L. McQUINN, )

DEBTOR )

SHARON L. McQUINN, )

Plaintiff )

vs. )

DIAL FINANCE CO., and )  
FIRST NATIONAL BANK )  
OF OMAHA, )

Defendants )

CASE NO. BK80-611

A80-249

MEMORANDUM OPINION

The debtor wishes to redeem a 1968 mobile home. The sole issue in this proceeding is the value of the home. The expert witnesses were in substantial agreement as to the retail value, which I find to be \$2,800.00. However, the Bankruptcy Code does not necessarily contemplate that debtors should pay retail value in order to redeem property.

Section 722 of the Bankruptcy Code permits debtors to redeem by paying lienholders the amount of the allowed secured claim. Section 506(a) of the Code states that the value of an allowed secured claim "shall be determined in light of the purpose of the valuation and of the proposed disposition or use. . ." of the collateral. In this case, the purpose of the valuation is to give the debtor the first right to purchase property which would otherwise simply be repossessed and sold to someone else. H.R. Rep. No. 95-595, 95th Cong., 1st Sess. 380-81(1977).

I find that the debtor should pay the replacement value which the collateral has for her. Ford Motor Credit v. Miller, 4 Bcy. Rptr. 392, 6 Bcy. Ct. Dec. 410 (S.D. Cal. 1980). However, the retail value of the collateral includes costs such as dealer overhead, salesman's commissions, and profit which the debtor should not be required to pay in this type of transaction. I find that those costs total \$1,000.00. Therefore, the debtor should be permitted to redeem for \$1,800.00. See Ford Motor Credit v. Miller, supra.

A separate order is entered in accordance with the foregoing.

DATED: November 10, 1980.

BY THE COURT:

